

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L TAIPEI 003100

SIPDIS

DEPT FOR EAP/TC
DEPT PASS AIT/W

E.O. 12958: DECL: 07/21/2015

TAGS: [ECON](#) [FAIR](#) [EINV](#) [PREL](#) [TW](#) [CH](#)

SUBJECT: CROSS-STRAIT ECONOMIC INITIATIVES STILL ON HOLD

REF: A. TAIPEI 2654

[B](#). TAIPEI 2732

[C](#). TAIPEI 2881

Classified By: AIT Director Douglas H. Paal, Reason 1.5 d

[1](#). (C) Taiwan National Security Council Senior Advisor Chen Chung-shin told econoff July 20 that progress on cross-Straits economic initiatives was unlikely until late August or into the fall. On prospects for cross-Straits charter flight discussions, Chen said that Taiwan and PRC authorities had been exchanging positions informally through scholars and other indirect contacts. Although both sides have publicly expressed willingness to proceed with both passenger flights and cargo flights, Chen said that they still differed on which kind of flight should be given priority. However, he expressed optimism that there would be progress by the end of August and the two sides could proceed toward discussions using the Macao model whereby industry organizations assisted by government officials in an unofficial capacity would conduct negotiations.

[2](#). (C) On liberalization of Taiwan regulations governing cross-Straits investment, Chen indicated that progress was unlikely before the fall. He explained that further delay was due to the PRC engagement of the opposition Kuomintang (KMT) on cross-Straits economic issues that sought to portray the ruling Democratic Progressive Party (DPP) as unable to manage economic issues. Chen argued that, under these circumstances, the DPP government could not be seen to yield to such pressure from the PRC and KMT. He predicted that Taiwan might be able to lift restrictions on investment in small-size TFT-LCD panel manufacturing and semiconductor packaging and testing sometime this fall. However, he said that restrictions on manufacturing semiconductors with feature size finer than 0.25 microns were more complicated because of technology transfer concerns and would likely be subject to additional delays. He also indicated that opening petrochemical investment in naphtha cracker facilities would take longer because of the amount of capital involved in such investments (Note: AIT/T will report on the impact of naphtha cracker restrictions septel. End note.)
PAAL